



# RESORTTAX

— BUILDING BIG SKY SINCE 1992 —

## 2018-2019 APPLICATION FOR RESORT TAX FUNDS

**Applicant's Official Name:** HRDC dba Big Sky Community Housing Trust

**Project Name:** Big Sky Affordable Housing Initiative

**Address:** 32 S. Tracy Ave., Bozeman, MT 59715

**Representative:** Brian Guyer

**Telephone:** 406-585-4863 **Email:** bguyer@thehrdc.org

**Project Start Date:** May 2018 **Project Completion Date:** \_\_\_\_\_

**Total Funds Requested \$** Capital Project: \$2,500,000  
Program Implementation: \$235,000

**State your estimated payment request schedule for the coming year; amounts should total funds requested. Please enter dollar amounts.**

	July '18	Aug '18	Sep '18	Oct '18	Nov '18	Dec '18
<b>Payment Request \$</b>	<u>\$19,583</u>	<u>\$19,583</u>	<u>\$19,583</u>	<u>\$19,583</u>	<u>\$19,583</u>	<u>\$19,583</u>
	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19
<b>Payment Request \$</b>	<u>\$19,583</u>	<u>\$19,583</u>	<u>\$19,583</u>	<u>\$19,583</u>	<u>\$19,583</u>	<u>\$19,583</u>

\* - The BSCHT will work with Resort Tax to determine timing of payment for capital expenditures associated with Meadowview or capital efforts.

**I certify that the application and its attachments are correct to the best of my knowledge.**

\_\_\_\_\_  
**Signature**  
Heather Grenier  
**Printed Name**

Chief Executive Officer - HRDC  
**Title (Board Chair or Governing Officer)**  
4/30/2018  
**Date**

- 1) Provide a description of the entity and the Mission Statement. State the entity's tax status/legal identity and when it was initiated. What is the personnel makeup of your office; specifically how many are employees, how many are contractors and what are their duties? What is the full time equivalent (FTE) of each: ¼ , ½, ¾ or full time? Unless previously provided to the resort tax office, please include a copy of the Articles of Incorporation. (200 words max)**

The Human Resource Development Council, District IX (HRDC) was established in 1975 and serves Gallatin, Park, and Meagher Counties in southwest Montana, We are a non-profit Community Action Agency (CAA) and Community Housing Development Organization (CHDO), dedicated to strengthening community and advancing the quality of people's lives. We work to achieve this by developing the resources to help people of all ages and situations confront and overcome obstacles so they can improve their lives. HRDC has developed over 20 affordable properties in Bozeman, Livingston, and Belgrade since the early 90's as well as establishing community land trusts in Bozeman and Livingston consisting of 24 and 14 units. HRDC has a staff of 164 employees varying in roles from bus drivers and Warming Center staff to Head Start teachers and Homebuyer Education instructors.

- 2) Provide a complete description of the project(s). Include the project(s) purpose, goals and objectives. For each project provide a budget number and measurable objectives, i.e. how you will do something and in what timeframe. The information provided here should be specific regarding what the entity is requesting to be funded by resort tax. If requesting funds for operations, identify the categories and assign a dollar amount (salaries, software, etc.) If permits are required, please specify what permits are required and what projects they apply to. If requesting funds for a study (feasibility, etc.), a minimum of two bids are required. Also provide the RFP submitted for the study. Funding for a study will only be considered if the proposal has measurable outcomes. Please be succinct.**

Please see attached project narrative

**3) Is the project within the resort tax district? (25 words max)**

The current and on-going work of the Big Sky Community Housing Trust will be within, and have impacts within, the Big Sky Resort Area District.

**Please note: Not every project will fulfill questions #4 through #8. Applications will not be rated on the ability to fulfill multiple questions.**

**Does the entity and/or project...**

**4) Benefit the community at large including residents, visitors and tax collectors/the business community? (50 words max)**

Affordable housing, zoning changes, and down payment assistance benefit residents, visitors, and tax collectors. A locally housed workforce is invested in the community's success, provides dependable and quality service, and positions businesses to thrive.

**5) Promote tourism development, help make Big Sky a world class resort community and increase the visitor experience and/or increase resort tax revenue? (50 words max)**

The lack of affordable housing in Big Sky undermines the economic growth potential of the region. This can be largely attributed to higher than normal operational costs incurred by Big Sky businesses as a result of increased employee turnover and diminished employee quality/inconsistent workforce quality. Year-round resident employees are more reliable and provide better customer service which contributes to the world class experience Big Sky strives to provide.

**6) Support, improve or maintain critical infrastructure, public health, safety and/or welfare in the world class community? (50 words max)**

Lack of affordable housing results in a tremendous strain on the transportation infrastructure of the community. With a workforce that primarily commutes between Gallatin Valley and Big Sky on US Highway 191, with a history of a high rate of accidents, travel times and conditions are a serious public safety and welfare concern. The quality of the canyon experience is additionally impacted by the high number of commuters.

**7) Involve collaboration among entities in the community to meet common goals? (100 words max)**

A number of Big Sky public, non-profit, and private entities are involved in the BSCHT affordable housing efforts. Big Sky Chamber of Commerce, Big Sky Water/Sewer District, Boyne Resorts, Lone Mountain Land Company, the Simkins Family, Gallatin County and Madison County, property managers, Yellowstone Club and Yellowstone Club Community Foundation, as well as many other local entities.

**8) Fill a community need not currently or adequately being satisfied? (50 words max)**

The BSCHT/HRDC is the only organization with the capacity and experience in affordable housing to address the housing needs of the Big Sky community. HRDC serves Gallatin, Park and Meagher counties with functioning land trusts established in multiple communities and a well established history of successful tax credit projects.

**9) What is your entity most proud of accomplishing? (100 words max)**

The BSCHT has had a very successful year. By utilizing Resort Tax funds we successfully conducted a housing survey that had over 1100 respondents and provided BSCHT with the data to create a well-informed, data driven housing plan that will set short, medium, and long-term housing goals for the community. In addition; the down payment assistance program has been introduced and homebuyer education courses have been well attended in preparation for housing opportunities being introduced in the coming year.

**Provide the following financial documents:**

**10) Copy of the entity's complete operating budget for the period 07/01/18 through 06/30/19.**

**If your fiscal year does not coincide with this time period, please provide complete budgets for the entity's fiscal year that covers the aforementioned time period. For example, if the entity's fiscal year corresponds with a calendar year, provide two budgets 1) 01/01/2018 through 12/31/2018 and 2) 01/01/2019 through 12/31/2019.**

**11) Organization's Profit and Loss Report, Budget vs. Actual Report and Balance Sheet from your previous completed fiscal year.**

**12) Organization's Profit and Loss Report, Budget vs. Actual Report and Balance Sheet from your current fiscal year to date.**

**13) For applicants with mill levy authority please provide the following:**

- a. A map of your district's boundaries**
- b. The current taxable value of your district**
- c. If applicable, the current mill levy rate**
- d. Using the information above, provide a detailed budgetary breakdown of the potential tax burden per \$100,000 value, for property owners within your district if mill levy authority would be used to fund this project rather than resort tax funds.**

**TOTAL ORGANIZATIONAL BUDGET FOR THE YEAR \$**     \$14.68 M    

*(Include all organization projects and programs, not only those requesting Resort Tax funding. This number should match the organization's Revenue from Profit and Loss Report)*

PRINCIPLE	ITEM	AMOUNT	PERCENTAGE
Revenue	Request from Resort Tax	\$2.74 M	%
	Other Public Grants	\$6.45 M	%
	Private Donor Contributions (not including In-kind)	\$1.47	%
	Fundraising Events	\$306,000	%
	Revenue Other*	\$1.7 M	%
	<b>Sub Total Revenue</b>	\$13.2 M	%
	Private Donor Contributions In-kind	\$3.5 M (Food Bank)	%
	<b>Total Revenue</b>	\$16.1 M	100% (the revenue line items above should total)
Expenses	<b>Personnel:</b> <u>    164    </u> # of FTE Paid Personnel <u>          </u> # of FTE Contract Personnel Do not include volunteer time (in the amount column include the total expense including salary, benefits and payroll taxes)	\$4.64 M	%
	Operations	\$444,905	%
	Programming	\$9.6 M	%
	Expenses Other**		%
	<b>Total Expenses</b>	\$14.68 M	100% (the expenses line items above should total)
Capital Expenditures	<b>Total Capital Expenditures</b>	see attached Audited Financials	%
Income	<b>Net Income</b>	see attached Audited Financials	%

\*Revenue Other: Rental Income, County/City/Local Government, Sales of Manufactured Homes and Property

\*\*Expenses Other: \_\_\_\_\_

Clarifications you'd like to provide regarding the information on this page: \_\_\_\_\_

\_\_\_\_\_

<b>RESERVES: Capital, Programming and/or Operating</b>	<b>On Hand Restricted**</b>	\$1.43 M
	<b>On Hand Unrestricted**</b>	\$973,000
	<b>Goal (if currently no reserves)</b>	12-18 months

operating expenses.

**\*\*Purpose of Restricted and Unrestricted Capital Reserves:** Donor designated restricted funds (details can be provided upon request) and operating reserves.

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**TOTAL CASH FLOW 3-YEAR REQUIREMENT**

*(Include all organization projects and programs, not only those requesting Resort Tax funding)*

ITEM	This Current Application's Request from Resort Tax	2020	2021	Total Cash Flow 3-Yr Requirement
<b>Personnel: Paid and/or Contract (include salary, benefits and payroll taxes; do not include volunteer time)</b>	see attached Audited Financials			
<b>Total # of FTE Personnel</b>	1-1.5	2	N/A	NA
<b>Operations</b>	\$95,000	-	-	\$95,000
<b>Programming</b>	\$40,000	-	-	\$40,000
<b>Capital Expenditures</b>	\$2,500,000	-	-	\$2,500,000
<b>Other*</b>	\$100,000			\$100,000
<b>Total</b>				

<b>RESORT TAX REQUEST</b>	\$2.735 M			
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**Describe financial increases and decreases and the projects for which resort tax funds may be requested.**

**2020** \_\_\_\_\_ It is difficult to determine the operations expenses for the BSCHT but as the organization grows it is the intent of the organization to create revenue streams to decrease the organizational reliance on Resort Tax funds. This includes revenue streams from lease, management, and stewardship fees to pay for staffing costs.

**2021** \_\_\_\_\_

**\*Other Description** \_\_\_\_\_

Over the past year the Big Sky Community Housing Trust (BSCHT) has utilized Resort Tax funds to conduct a comprehensive housing survey and community lead working group to address the housing crisis in Big Sky. **Over 1100 people responded to the housing survey and over 80% of the owners and 93% of renters felt that the issue of people who work in Big Sky being able to find housing they can afford is “the most critical” or “one of the more serious” problems in the community.** Analysis of the housing market and conditions undertaken by WSW Consulting, Inc. supports that housing locals is a serious, and likely critical, problem.

The issues can be summarized as such:

- Job growth far exceeds the provision of housing for locals
- Employee turnover impacting local businesses
- Conversion of long-term to short-term rentals is displacing families and individuals
- Rising rents *require* roommates
- Limited affordable and attainable housing product for locals to purchase
- Unaffordable and rising home sale prices
- Build out considerations need to balance housing product types

BSCHT convened, with WSW Consulting facilitating, a working group of community stakeholders dedicated to addressing the Big Sky housing issue. **The community survey revealed that the Big Sky community had an effective housing deficit of between 560 and 655 units.** The efforts of the working group have been grouped into short, medium, and long-term strategies to provide and build units to address this deficit. Overall goals of the housing action plan will be presented to the Resort Tax Board and public in June but the strategies outlined within this request align with the goals of the larger housing plan.

Efforts of the working group have steered the BSCHT advisory committee to focus this funding request on four specific short, medium and long-term strategies that will increase organizational capacity, expand access to homeownership for the Big Sky workforce, place limitations on short-term rentals that have severely limited the long-term rental pool, and provide resources to bank land or acquire projects with the potential to create as many as 52 new affordable housing units for homeowners over the next three years.

The BSCHT Advisory Committee and HRDC Board of Directors are in support of the following funding request to the Big Sky Resort Tax Board:

- **Staffing: \$95,000**
- **Short-Term Rental Mitigation: \$40,000**
- **Down Payment Assistance (Match): \$100,000**
- **Land Banking/Project Acquisition/Capital Projects (Meadowview): \$2,500,000**



## Staffing

The BSCHT has reached the point where additional staffing is necessary to maintain momentum on our housing efforts. Utilizing funds from the Resort Tax the BSCHT has, over the past year, worked diligently to create short, medium, and long term housing strategies to address the shortage of housing units for the Big Sky workforce. In order to properly implement the strategies there is a need for a full-time staff in Big Sky who can focus their time entirely on implementing the housing action plan. This staff needs to be competent and experienced in the affordable housing arena. **To get the proper level of expertise the BSCHT has determined it needs \$95,000 for one FTE.** While an investment in staffing from the Resort Tax is critical to affordable housing efforts this year the investment is not intended to be on-going. An allocation of funds for BSCHT staffing will allow the organization to more quickly get to a critical mass of housing units that will create sustainable funding streams. **The BSCHT intends to utilize national best practices to create revenue through management, stewardship and lease fees so the BSCHT will not have to rely upon Resort Tax funds for the on-going staffing costs of the organization.**

## Short-Term Rental Mitigation

Changes to HOA covenants and zoning can address the conversion of long-term rental properties to short-term vacation rentals. Currently there are few regulations regarding the short-term rental of Big Sky properties. The state of Montana requires the short-term rentals to be licensed and collect lodging and resort taxes. Recent estimates indicate that few short-term rental owners are complying with these licensing requirements which amounted to nearly \$375,000 in lost Resort Tax collections. At the same time, property managers are reporting a decline in long-term rentals over the past five years and the **2017 housing study showed that over the past five years the Big Sky community has lost approximately 400 long-term rental units to owners selling and/or conversion to short-term (AirBnB, VRBO).** This loss of long-term rentals has displaced families in favor of units with multiple roommates who can share an escalating lease rate.

In order to counteract this issue, zoning regulations regarding short-term rental conversion needs to be explored. An expenditure of \$40,000 to do the public outreach and legal work necessary to make appropriate changes to address short-term rentals in Big Sky is requested. This would include both working with HOA's to change their covenants and Gallatin County to make adjustments to Big Sky zoning regulations.

## Down Payment Assistance

Another finding in the 2017 housing survey was that **zero rental units leasing for less than \$1200/mo. were added to the housing stock.** This indicates that many Big Sky residents are paying between \$1200-\$2000/mo. for two bedroom rentals. Many survey respondents stated that a key barrier to homeownership is the capacity to pull together the funds for a down payment. BSCHT is partnering with area banks (spearheaded by Big Sky Western Bank) and NeighborWorks Montana to provide a down payment assistance program that will open up opportunities for homeownership in Big Sky. The program will have flexibility in terms of income caps and sales price maximums that reflect the relatively higher wages and housing costs in Big Sky. This means that someone who is earning up to 120% of the AMI who was interested in purchasing a \$350,000 condo could potentially avail themselves of down payment assistance for the purchase of the home. The BSCHT would like to roll out the DPA program to a small cohort of potential homebuyers to serve as a pilot and expand the capacity of BSCHT to serve

higher income households (earning up to 150%+ AMI) and allow higher home purchase prices than existing state/local programs. The banks, Yellowstone Club Community Foundation and HRDC have committed \$100,000 to the pilot program. **BSCHT is requesting that the Resort Tax Board match the existing funds so that the down payment assistance program can initially be offered to approximately ten Big Sky individuals and/or families.**

#### **Land Banking/Project Acquisition/Capital Projects**

While all of the above strategies and investments will help address the Big Sky housing shortage over the short and long-term the biggest opportunity to address the housing shortage is by acquiring land through purchase or trade for eventual affordable housing development. During the working group sessions, local stakeholders were tasked with identifying and prioritizing parcels or redevelopment opportunities most suitable for affordable ownership and/or rental housing. The top sites identified and agreed upon were the “sliver” site for rental units and the Powderlight and Meadowview parcel for ownership. To illustrate this strategy the Meadowview development, for example, will create affordable units of housing that squarely hit the targets identified in the housing survey. Permanently affordable, two-bedroom, two-bathroom units with ample storage in a convenient location appropriate for families with children in the school who are participating in the Big Sky workforce. The Meadowview Housing project would be shovel ready with preliminary plat approval, infrastructure, architectural work, and bids in hand so site work could begin as soon as spring. Projects such as Meadowview present an opportunity for the Resort Tax Board to invest in housing in an impactful and immediate manner. In order to acquire suitable projects such as Meadowview or acquire property suited to similar projects, the BSCHT is requesting \$2,500,000 dollars. With funding from the Resort Tax Board the BSCHT would be able to acquire property before land prices escalate, cover the cost of infrastructure and/or phase one construction of an acquired project or conduct a buy-down of market rate condos to place deed restrictions and make them permanently affordable to the Big Sky community. Additionally, BSCHT will commence fundraising within the Big Sky community to pay for the infrastructure and construction costs which will be related to this type of development.